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OCTOBER 11, 1972

MEMORANDUM FOR:

THE PRESIDENT

FROM:

HENRY A. KISSINGER

SUBJECT:

INFORMATION ITEMS

INDOCHINA MILITARY SITUATION: A TOTAL OF 291 U.S. TACTICAL AIR SORTIES WERE SCHEDULED TO HIT BARRACKS, STORAGE AREAS, HIGHWAY BRIDGES, AND MILITARY AREAS IN NORTH VIETNAM BUT MAY HAVE BEEN DIVERTED TO SECONDARY TARGETS BECAUSE OF POOR WEATHER. IN SOUTH VIETNAM, 155 U.S. AND 183 VNAF TACTICAL AIR SORTIES WERE FLOWN. SEVENTEEN B-52 MISSIONS WERE FLOWN IN NORTH VIETNAM, NINE IN CAMBODIA, AND FIVE IN LAOS.

IN NORTHERN MILITARY REGION 1, AIRBORNE DIVISION FORWARD ELEMENTS OCCUPIED POSITIONS CLOSE TO FIRE SUPPORT BASES ANNE AND BARBARA. TO THE SOUTH, THE 3RD ARVN DIVISION EXPANDED ITS AREA OF CONTROL IN QUANG NAM AND QUANG TIN PROVINCES AGAINST LIGHT ENEMY RESISTANCE. REFUGEES HAVE BEGUN RETURNING TO QUE SON AND TIEN PHUOC. A HEAVY ENEMY ATTACK-BY-FIRE AND GROUND ATTACK WAS REPORTED AGAINST ARVN FORCES AT BA TO. IN THE LOWLANDS TO THE EAST, FRIENDLY FORCES CONTINUED CLEARING OPERATIONS ALONG ROUTE 1 BETWEEN MO DUC AND DUC PHO. THE 2ND ARVN DIVISION BEGAN A CLEARING OPERATION IN SON TINH DISTRICT. ENEMY FORCES ARE ESTIMATED TO HAVE CAPTURED NEARLY 5,000 METRIC TONS OF RICE IN MO DUC AND DUC PHO DISTRICTS IN RECENT WEEKS.

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ACTIVITY IN MILITARY REGION 2 CONTINUED AT A LOW LEVEL. PHASE I OF THE 22ND ARVN DIVISION'S OPERATION WHICH BEGAN ON JULY 19 ENDED AND PHASE II BEGAN. IN ADDITION TO REGAINING LOST TERRITORY, FRIENDLY FORCES KILLED OVER 2,500 ENEMY, OVER 10,000 REFUGEES RETURNED TO GOVERNMENT CONTROL.

ARMY & State Dept. review
(s) completed

ACTIVITY IN MILITARY REGION 3 CONSISTED PRIMARILY OF FRIENDLY-INITIATED CONTACTS AND LIGHT ENEMY ATTACKS-BY-FIRE IN SOUTHERN BINH DUONG PROVINCE AS ENEMY FORCES IN THAT AREA CONTINUED THEIR SOUTHWARD MOVEMENT.

IN MILITARY REGION 4, ACTIVITY WAS MODERATE WITH REPORTED ENEMY INCIDENTS OF LOW INTENSITY DIRECTED AGAINST FRIENDLY OUTPOSTS. THE BLOCKING OF ENEMY SUPPLY ROUTES SOUTH OF KOMPONG TRABEK IN

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CAMBODIA APPARENTLY IS BEGINNING TO CAUSE ENEMY SUPPLY PROBLEMS IN DINH TUONG PROVINCE OF SOUTH VIETNAM.

ELSEWHERE IN CAMBODIA, ENEMY FORCES FIRED ROCKETS AT PHNOM PENH'S POCHENTONG AIRBASE BUT MISSED THE FIELD.

A MORE DETAILED ACCOUNT OF THE MILITARY SITUATION IN SOUTHEAST ASIA IS AT TAB A.

FRENCH MISSION IN HANOI REPORTEDLY BOMBED: ACCORDING TO PRESS REPORTS, THE FRENCH MISSION IN HANOI WAS DESTROYED THIS MORNING WHEN U.S. PLANES BOMBED THE CENTRAL DISTRICTS OF THE CITY. PERSONNEL OF THE MISSION ARE SAID TO BE INJURED AND THE DELEGATE-GENERAL IS IN THE HOSPITAL. THE ALGERIAN EMBASSY WAS ALSO DAMAGED.

A STRIKE WAS FLOWN AGAINST THE GIA LAM RAILROAD SHOPS NORTHEAST OF THE CITY; HOWEVER, THE RESULTS ARE NOT KNOWN AND THE VALIDITY OF THE PRESS REPORTS IS BEING CHECKED. FRENCH SECRETARY GENERAL ALPHAND HAS CALLED IN AMBASSADOR WATSON, PRESUMABLY TO DISCUSS THE INCIDENT.

FPC APPROVES IMPORT OF ALGERIAN NATURAL GAS: LAST WEEK THE FEDERAL POWER COMMISSION FINALLY GRANTED FULL APPROVAL WITHOUT RESTRICTIVE CONDITIONS TO THE EL PASO-SONATRACH CONTRACT FOR THE IMPORT OF ALGERIAN LIQUIFIED NATURAL GAS INTO THE U.S. COMING THREE YEARS AFTER THE CONTRACT WAS INITIALLY SIGNED, THE FPC'S ACTION IS NOT EXPECTED TO HAVE A DECISIVE POLITICAL IMPACT ON OUR RELATIONS WITH ALGERIA, ALTHOUGH IT DOES PROVIDE ONE FURTHER ENCOURAGEMENT TO THOSE ALGERIANS WHO HAVE SHOWN INTEREST IN RESUMING RELATIONS. THE DECISION IS NONETHELESS IMPORTANT FOR SEVERAL OTHER REASONS. IT WILL SERVE AS A PRECEDENT FOR FUTURE AGREEMENTS ON THE IMPORTATION OF NATURAL GAS, BOTH FROM ALGERIA AND THE SOVIET UNION. THE AGREEMENT IS ALSO A MODEL OF WHAT CAN BE DONE IN THE ECONOMIC AREA WHEN STRONG MUTUAL INTERESTS EXIST, DESPITE THE ABSENCE OF DIPLOMATIC RELATIONS. WHILE NO IMMEDIATE POLITICAL GAINS ARE ANTICIPATED, THE ALGERIAN REACTION HERE AND IN ALGIERS HAS BEEN VERY POSITIVE, AND IF THE RIGHT MOMENT COMES IN THE ARAB-ISRAELI CONTEXTS, THE EW RELATIONSHIP COULD BE USED AS ONE JUSTIFICATION FOR RESUMING DIPLOMATIC RELATIONS. THUS, BOTH IN TERMS OF OUR BILATERAL RELATIONSHIP WITH ALGERIA AND OUR LONGER TERM ENERGY INTERESTS, THE FPC DECISION IS LIKELY TO BE OF CONSIDERABLE IMPORTANCE.

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INTERNATIONAL OIL: THERE ARE SEVERAL DEVELOPMENTS CONCERNING NEGOTIATIONS BETWEEN THE INTERNATIONAL OIL COMPANIES AND THE PRODUCING COUNTRIES WORTH NOTING:

-- LAST WEEK AN OPEC NEGOTIATING TEAM HEADED BY SAUDI ARABIAN PETROLEUM MINISTER YAMANI AND REPRESENTATIVES OF THE MAJOR INTERNATIONAL COMPANIES OPERATING IN THE MIDDLE EAST SUCCESSFULLY NEGOTIATED A FRAMEWORK AGREEMENT FOR EVENTUAL 51 PARTICIPATION (THE 1980S AT THE LATEST) BY THE PERSIAN GULF ARAB PRODUCER GOVERNMENTS IN THE MAJOR ARAB OIL PRODUCING CONCESSIONS. WE DO NOT YET HAVE ALL THE DETAILS, BUT THE COMPENSATION TO BE PAID TO THE OIL COMPANIES IS TO BE BASED ON AN EVALUATION OF THEIR ASSETS GREATER THAN DEPRECIATED (NET) BOOK VALUE.

-- IN A SEPARATE BUT RELATED ACTION, THE ITALIAN NATIONAL OIL COMPANY HAS CONCLUDED AN IMMEDIATE 50/50 PARTICIPATION AGREEMENT WITH THE LIBYANS BASED ON DEPRECIATED (NET) BOOK VALUE. THE LIBYANS HAVE DEMANDED AN EQUIVALENT SETTLEMENT FROM THE U.S. COMPANY BUNKER HUNT. THE LIBYANS, WHO NATIONALIZED BRITISH PETROLEUM LAST DECEMBER, OBVIOUSLY HOPE TO ISOLATE AND PICK OFF THE OIL COMPANIES OPERATING THERE ONE BY ONE. THE NEGOTIATIONS BETWEEN THE IRAQIS AND THE COMPANIES OVER IRAQ'S NATIONALIZATION OF SOME OF THE IRAQ PETROLEUM COMPANY CONCESSIONS LAST SPRING HAVE BEEN DORMANT PENDING THE OUTCOME OF THE OPEC TALKS. WHEN THESE TALKS NOW RESUME, THE IRAQIS ARE EXPECTED TO DEMAND MORE THAN THE OPEC SETTLEMENT. THEY DO NOT, HOWEVER, HAVE EITHER THE FINANCIAL SECURITY OF THE LIBYANS OR THE FINANCIAL BACKING OF THE OTHER ARAABS, SUCH AS THE SAUDIS, WHO COULD SUPPORT TEMPORARY LOSSES OF REVENUE.

THE INTERACTION AMONG THESE SEPARATE NEGOTIATIONS KEEPS THE RELATIONSHIP BETWEEN THE OIL COMPANIES AND THE PRODUCING GOVERNMENTS IN A STAGE OF CONSTANT FLUX. THE COMPANIES HAVE RECENTLY SHOWN CONSIDERABLE WISDOM BY NEGOTIATING RATHER THAN FIGHTING THE PARTICIPATION ISSUE AND THE MODERATE PRODUCER GOVERNMENTS LIKE THE IRANIANS AND SAUDIS HAVE RESPONDED WITH MODERATION. THE RADICAL IRAQI AND, ESPECIALLY, LIBYAN REGIMES ARE PRESSING THEM FAIRLY HARD AT EACH STAGE, HOWEVER, AND HOLD OUT THE THREAT OF DISRUPTION.

PANAMANIAN INAUGURATION: ON THE FOURTH ANNIVERSARY OF THE COUP WHICH BROUGHT THE PRESENT GOVERNMENT TO POWER, DEMETRIO LAKAS

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AND ARTURO SUCRE WILL BE INAUGURATED TODAY AS CONSTITUTIONAL PRESIDENT AND VICE-PRESIDENT OF PANAMA. THE NEW CONSTITUTION GRANTS STRONGMAN GENERAL TORRIJOS SPECIAL POWERS THAT WILL ENABLE HIM TO CONTINUE TO DOMINATE THE GOVERNMENT FOR THE NEXT SIX YEARS. NO DISTURBANCES ARE EXPECTED AND THE INAUGURAL SPEECHES WILL PROBABLY BE LOW KEY WITH NO INFLAMMATORY REFERENCES TO THE CANAL ISSUE. TORRIJOS APPARENTLY HAS DECIDED TO AVOID AGGRAVATING ALREADY STRAINED BILATERAL RELATIONS WITH THE U.S. AND TO KEEP THE CELEBRATIONS ORDERLY AND DIGNIFIED.

NONETHELESS, HE HAS ALREADY LAUNCHED A PROPAGANDA EFFORT TO GAIN DIPLOMATIC SUPPORT FOR PANAMA'S POSITION IN THE CANAL TREATY NEGOTIATIONS. PANAMA'S AMBASSADORS IN LATIN AMERICAN HAVE BEEN PUSHING PANAMA'S CLAIM TO SOVEREIGNTY OVER THE CANAL ZONE AND PANAMA IS MOUNTING A MAJOR CAMPAIGN TO HAVE THE UN SECURITY COUNCIL MEET IN PANAMA CITY NEXT MARCH WHEN PANAMA WILL CHAIR THE COUNCIL. PANAMA ADMITS THE PURPOSE OF THE MEETING WOULD BE TO SELL ITS POSITION ON THE CANAL TO THE AMERICAN PUBLIC. THE U.S. IS ACTIVELY OPPOSING THE PANAMANIAN INITIATIVE.

BONN AND PEKING ESTABLISH DIPLOMATIC RELATIONS: WEST GERMANY AND THE PEOPLES REPUBLIC OF CHINA HAVE SIGNED AN ACCORD ESTABLISHING DIPLOMATIC RELATIONS, ACCORDING TO PRESS REPORTS. A COMMUNIQUE INITIALED BY THE TWO NATIONS' FOREIGN MINISTERS SAID THE AMBASSADORIAL EXCHANGE WOULD OCCUR WITHIN A SHORT TIME. WEST GERMAN FOREIGN MINISTER WALTER SCHEEL ARRIVED IN PEKING YESTERDAY.

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